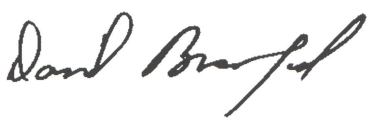
flawed on several levels. First, Dr. Duggan calculates market shares only among the NDCs that were included in the array. For Medicare reimbursement purposes there was no restriction on the actual NDCs dispensed whether or not those NDCs were included in the array by the DMERCs. Hence all ipratropium NDCs should be included in any market share calculations. Second, Dr. Duggan has not provided any support for using Medicaid market shares for Medicare damage allocation. Medicaid and Medicare markets differ in at least two basic levels. First, Medicaid population for inhalation drugs includes many childhood asthma patients whereas Medicare population includes elderly COPD patients. Second, Medicaid drug providers are primarily retail pharmacies while the Medicare providers for inhalations drugs are primarily home health providers. Thus, Medicaid and Medicare markets differ fundamentally both in terms of patients and providers and Dr. Duggan's allocation ignores these differences.

As I discussed above, the nature of the median calculation from an array of NDCs implies that each NDC has an equal chance of setting the median and consequently the reimbursement levels. An NDC's market share has no bearing on its impact on the median price. An alternate methodology not considered by Dr. Duggan could allocate an equal share to each NDC in the array because each NDC has an equal chance of impacting the median.

D. Dr. Duggan's additional Medicaid analyses

In his letter, Dr. Duggan also addresses the issues with his Medicaid damages extrapolation that I had identified in my initial report. Dr. Duggan has now examined claims data from 15 additional states that were previously available to him. Dr. Duggan claims that the damages using the claims were lower by 5% if one were to exclude the Alabama data. However, there is no logical rationale for excluding the Alabama data and Dr. Duggan has not presented any. Thus including the Alabama data, Dr. Duggan himself finds that the damages using claims data were at least 10% lower than the extrapolated damages that he had previously presented for these states. This shows the importance of actually examining the state level claims data for each state where damages are sought. As I discussed in detail my initial report, there is wide variation in Medicaid reimbursement levels across states driven by active policy choices. Hence as a methodological matter, extrapolations that do not take into account these state variations are not likely to be reliable. At the same time, even after admitting 10% overstatement of damages for the 15 additional states using his extrapolation methodology (my own estimates suggest an even higher overstatement than Dr. Duggan found), Dr. Duggan does not actually correct the damages presented in his initial report.

Sincerely,



W. David Bradford, Ph. D.

Figure A: Dr. Duggan's ipratropium bromide damages under Dey-only scenario

Year-quarter	AdminaStar	Cigna	DMERC A	Palmetto
1997 Q1				
1997 Q2			Extrapolated array	
1997 Q3			Extrapolated array	
1997 Q4			Extrapolated array	Extrapolated array
1998 Q1			Extrapolated array	
1998 Q2			Extrapolated array	
1998 Q3			Extrapolated array	
1998 Q4			Extrapolated array	
1999 Q1			Extrapolated array	Extrapolated array
1999 Q2			Extrapolated array	Extrapolated array
1999 Q3				
1999 Q4	Extrapolated array			
2000 Q1	Extrapolated array			
2000 Q2				
2000 Q3				
2000 Q4			Extrapolated array	Extrapolated array
2001 Q1				
2001 Q2				
2001 Q3				
2001 Q4				
2002 Q1				
2002 Q2				
2002 Q3				
2002 Q4				
2003 Q1				
2003 Q2				
2003 Q3				
2003 Q4				

Notes:		
		No damages under Dr. Duggan's Dey-only scenario
		Damages under Dr. Duggan's Dey-only scenario
	Extrapolated array	Duggan damages based on extrapolated arrays

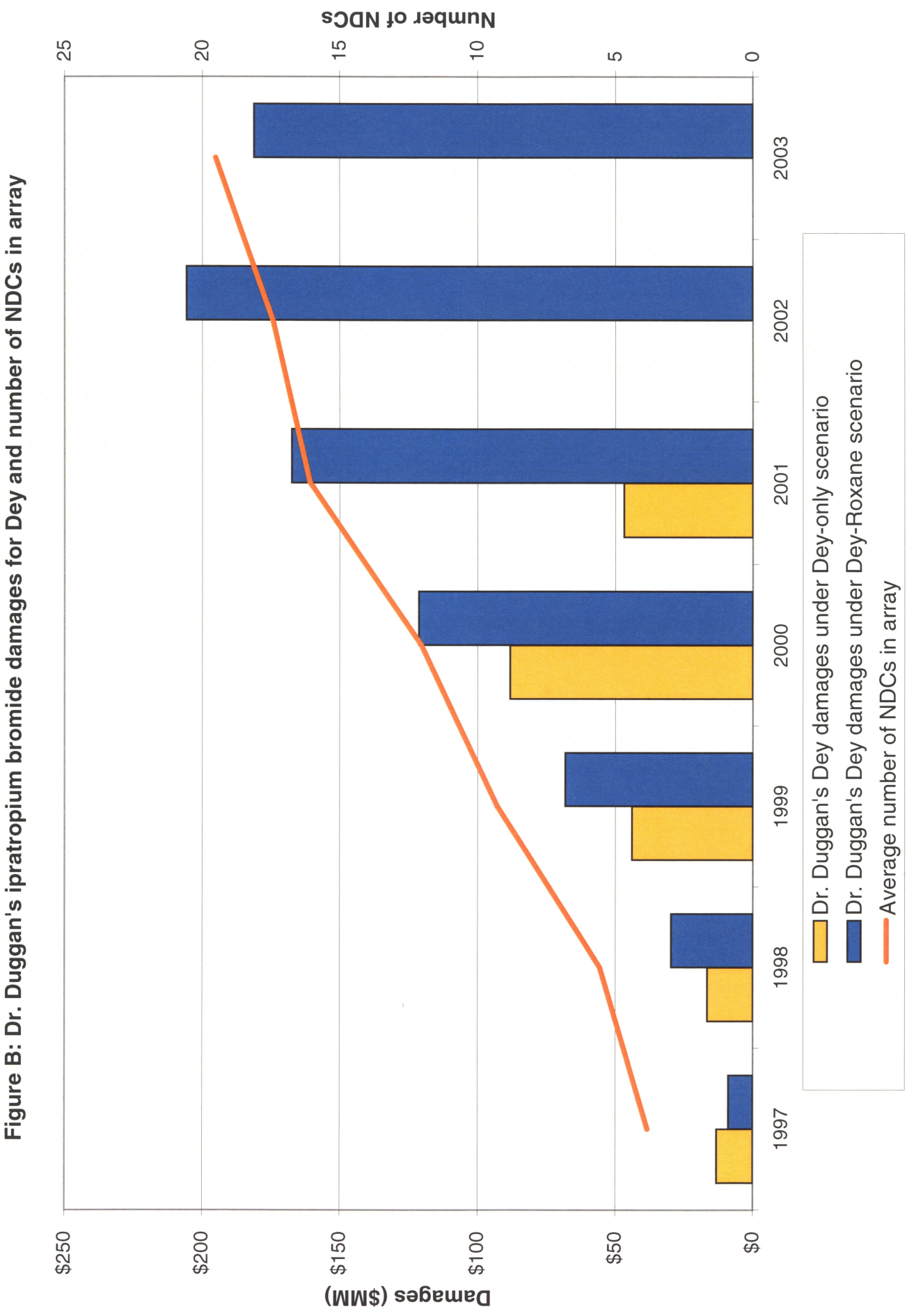


Figure B: Dr. Duggan's ipratropium bromide damages for Dey and number of NDCs in array
Damages ($MM)
$250
$200
$150
$100
$50
$0
Number of NDCs
25
20
15
10
5
0
1997
1998
1999
2000
2001
2002
2003
Dr. Duggan's Dey damages under Dey-only scenario
Dr. Duggan's Dey damages under Dey-Roxane scenario
Average number of NDCs in array

FIGURE C OMITTED